

MONTANA LEGISLATIVE HISTORY

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Chapter 542 19 95

Bill H _____ S 358 Original bill & history C

H. Committee on Taxation

Hearing Date(s) Mar 30 ✓ C

Apr 06 ✓ C

_____ C

_____ C

Date Out Apr 06 ✓ C

S. Committee on Taxation

Hearing Date(s) Mar 01 ✓ C

Mar 14 ✓ C

_____ C

_____ C

Mar 15 ✓ C

Did this bill originate in an interim committee? Yes No

Committee _____

Report _____

	HOUSE		
4/12	2ND READING GOVERNOR'S AMENDMENTS		
	CONCURRED	85	12
4/13	3RD READING GOVERNOR'S AMENDMENTS		
	CONCURRED	74	24
4/18	SIGNED BY PRESIDENT		
4/18	SIGNED BY SPEAKER		
4/18	TRANSMITTED TO GOVERNOR		
4/27	SIGNED BY GOVERNOR		
	CHAPTER NUMBER 541		
	EFFECTIVE DATE: 07/01/95		

SB 358 INTRODUCED BY HALLIGAN, ET AL.

DEFINE POLICIES RELATING TO THE INCOME AND CORPORATE TAX
CREDIT FOR RECYCLING OF MATERIAL

2/10	INTRODUCED		
2/10	FIRST READING		
2/10	REFERRED TO TAXATION		
2/11	FISCAL NOTE REQUESTED		
2/15	FISCAL NOTE RECEIVED		
2/15	FISCAL NOTE PRINTED		
3/01	HEARING		
3/15	COMMITTEE REPORT—BILL PASSED AS AMENDED		
3/18	2ND READING PASSED AS AMENDED	46	0
3/20	3RD READING PASSED	50	0
	TRANSMITTED TO HOUSE		
3/21	FIRST READING		
3/21	REFERRED TO TAXATION		
3/30	HEARING		
4/05	REVISED FISCAL NOTE PRINTED		
4/06	COMMITTEE REPORT—BILL CONCURRED AS AMENDED		
4/07	2ND READING CONCURRED	93	7
4/08	3RD READING CONCURRED	92	7
	RETURNED TO SENATE WITH AMENDMENTS		
4/10	2ND READING AMENDMENTS CONCURRED	49	0
4/11	3RD READING AMENDMENTS CONCURRED	46	1
4/12	SIGNED BY PRESIDENT		
4/13	SIGNED BY SPEAKER		
4/17	TRANSMITTED TO GOVERNOR		
4/27	SIGNED BY GOVERNOR		
	CHAPTER NUMBER 542		
	EFFECTIVE DATE: 10/01/95		

SB 359 INTRODUCED BY ECK

ALLOW A CITY OR TOWN TO IMPOSE A LOCAL OPTION MOTOR FUEL
EXCISE TAX IF APPROVED BY THE ELECTORATE

2/10	INTRODUCED
2/10	FIRST READING
2/10	REFERRED TO TAXATION
2/11	FISCAL NOTE REQUESTED
2/16	FISCAL NOTE RECEIVED
2/17	FISCAL NOTE PRINTED
3/03	HEARING
3/29	MISSED TRANSMITTAL DEADLINE FOR 71ST DAY
	DIED IN COMMITTEE

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for SE0358, as introduced

DESCRIPTION OF PROPOSED LEGISLATION:

An act relating to the income and corporate tax credit for recycling of material, deleting the termination date for the credit, and providing that depreciable property used for the treatment of hazardous wastes in soils qualifies for the credit.

ASSUMPTIONS:

1. The current law relating to recycling deductions and credits is scheduled to expire on December 31, 1995; this proposal eliminates the sunset provision of current law.
2. The proposed legislation is effective October 1, 1995, and is assumed to apply to tax years beginning after December 31, 1995 (MDOR).
3. No information is available on the amount of tax deductions taken in the first two years of the current recycling legislation, since this deduction is not a separate line on either the individual income tax form or the corporate license tax form; the amount of these deductions is judged and assumed to be small (MDOR).
4. The amount of tax credits, in contrast to tax deductions, taken by individuals in tax year 1992 (FY93) was \$245,403 and was \$200,396 for tax year 1993 (FY94); the amount of the credit taken by corporations was \$23,207 in FY93 and \$180,586 in FY94 (MDOR).
5. Under current law, the projected FY96 negative revenue impacts of these credits are assumed to be roughly the same as FY94 levels, with the individual income tax FY96 credit projected at \$200,000 and the corporate license tax credit projected as \$180,000 for FY96 (Montana Dept. of Revenue, Tax Expenditure Report, FY 96-97).
6. Under current law, the projected level of individual income tax recycling credits for FY97 (tax year 1996) is zero; the current law projected FY97 corporation license tax recycling credits are approximately \$100,000 (MDOR).
7. For the proposed law (exclusive of the new provision for reclaiming soil contaminated by hazardous wastes), the level of FY97 individual income tax credits would increase to \$200,000; the level for the corporation license tax also would increase to \$200,000 (MDOR).
8. Additional credits taken for reclaiming soil contaminated by hazardous wastes will be 25 percent of credits taken for other recycling/reclaiming purposes; \$50,000 (25% of \$200,000) for the individual income tax for FY97, and \$25,000 (25% of \$100,000) for the corporation license tax for FY97 (MDOR).

(Fiscal Impact - see page 2)

Dave Lewis 2-15-95

DAVE LEWIS, BUDGET DIRECTOR DATE
Office of Budget and Program Planning

MIKE HALLIGAN, PRIMARY SPONSOR DATE
Fiscal Note for SE0358, as introduced

SB 358

FISCAL IMPACT:Expenditures:

There is no impact of this legislation on Department of Revenue expenditures.

Revenues:

	<u>FY96</u>	<u>FY97</u>
	<u>Difference</u>	<u>Difference</u>
Individual Income Tax	0	(\$250,000)
Corporation License Tax	0	(125,000)
Total	0	(\$375,000)

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

The full effects of the legislation will not be felt until FY98, with about \$250,000 in individual income tax credits being claimed and a like level for the corporation license tax, for a total negative revenue impact of around \$500,000.

TECHNICAL NOTE:

This legislation does not specify an effective date or to which tax years it would apply. It is assumed in this fiscal note that the proposed legislation would apply to tax years beginning after December 31, 1995, since these are the years not applicable under current law with its sunset provision. It would be clearer if an applicability date were added to the proposed legislation.

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for SB0358, 3rd reading

DESCRIPTION OF PROPOSED LEGISLATION:

Act relating to the income and corporate tax credit for recycling of material, extending the expiration date for the credit, and providing that certain depreciable property used for the treatment of hazardous wastes in soils qualifies for the credit.

SUMPTIONS:

The current law relating to recycling deductions and credits is scheduled to expire on December 31, 1995; this proposal extends the sunset provision to December 31, 1997.

The proposed legislation applies to tax years beginning and to depreciable property purchased after December 31, 1995.

No information is available on the amount of tax deductions taken in the first two years of the current recycling legislation, since this deduction is not a separate line on either the individual income tax form or the corporate license tax form; the amount of these deductions is judged and assumed to be small (MDOR).

The amount of tax credits, in contrast to tax deductions, taken by individuals in tax year 1992 (FY93) was \$245,403 and was \$200,396 for tax year 1993 (FY94); the amount of the credit taken by corporations was \$23,207 in FY93 and \$180,586 in FY94 (MDOR).

The Revenue Oversight Committee (ROC) assumed that the sunset provision would not terminate under current law. The projected negative revenue impacts of these credits are assumed to be roughly the same as FY94 levels, with the individual income tax FY96 & FY97 credits projected at \$200,000 and the corporate license tax credit projected as \$180,000 for FY96 and \$200,000 for FY97 (Montana Dept. of Revenue, Tax Expenditure Report, FY 96-97).

Investments in two properties of \$500,000 each are made in tax year 1996 (FY97) by corporations reclaiming soil contaminated by hazardous wastes. This results in corporation tax credits of \$200,000 in FY97.

FISCAL IMPACT:

Expenditures:

There is no impact of this legislation on Department of Revenue expenditures.

Revenues:

	<u>FY96</u>	<u>FY97</u>
	<u>Difference</u>	<u>Difference</u>
Individual Income Tax	0	0
Corporation License Tax	0	(200,000)
Total	0	(\$200,000)

DAVID LEWIS, BUDGET DIRECTOR DATE

Office of Budget and Program Planning

MIKE HALLIGAN, PRIMARY SPONSOR DATE

Fiscal Note for SB0358, 3rd reading

96-358-#2

MINUTES

MONTANA SENATE
54th LEGISLATURE - REGULAR SESSION

COMMITTEE ON TAXATION

Call to Order: By CHAIRMAN GERRY DEVLIN, on March 1, 1995, at
8:00 a.m.

ROLL CALL

Members Present:

Sen. Gerry Devlin, Chairman (R)
Sen. Mike Foster, Vice Chairman (R)
Sen. Mack Cole (R)
Sen. Delwyn Gage (R)
Sen. Lorents Grosfield (R)
Sen. John G. Harp (R)
Sen. Dorothy Eck (D)
Sen. Barry "Spook" Stang (D)
Sen. Fred R. Van Valkenburg (D)

Members Excused: SEN. DELWYN GAGE,
SEN. LORENTS GROSFIELD (arrived at 9:05 a.m.),
SEN. JOHN HARP

Members Absent: None

Staff Present: Jeff Martin, Legislative Council
Renée Podell, Committee Secretary

Please Note: These are summary minutes. Testimony and
discussion are paraphrased and condensed.

Committee Business Summary:

Hearing: SB 336, SB 358
Executive Action: None

HEARING ON SB 358

Opening Statement by Sponsor:

SEN. MIKE HALLIGAN, SD 44, Missoula, stated he was a sponsor of legislation several years ago attempting to encourage jobs in the state through the use of recycling. He commented the emphasis was on the technology of recycling associated with higher paid jobs. SEN. HALLIGAN explained the old incentive was pretty broad, but SB 358 expands the incentive to include reclaimable material.

Proponents' Testimony:

Russ Ritter, Envirocon, spoke in support of the inclusion of sanitized dirt in SB 358.

Larry Simkins, Envirocon, stated SB 358 provides alternatives for some of the clean-up measures that Envirocon currently evaluates for customers and clients throughout Montana. Mr. Simkins acknowledged SB 358 provides a cost effective on-site treatment of contaminated dirt.

Carl Schweitzer, Montana Contractors Association, commented SB 358 eliminates the current sunset and expands the definition of what types of equipment can be considered for recycling products.

Dennis Burr, Montana Taxpayers Association, acknowledged it is proven the incentive works in Montana and it is proper to take the sunset off. He stated this is a good bill.

Opponents' Testimony:

None

Informational Testimony:

None

Questions From Committee Members and Responses:

SEN. MACK COLE asked Mr. Simkins to give some examples of how his firm is currently processing soils and where some of the projects are located. Mr. Simkins stated there are several projects in the State of Montana at contaminated sites which extracts contaminants from the soil. He remarked a project was just finished in Columbus, Montana, using a chemical process.

SEN. DOROTHY ECK asked Mr. Simkins if his firm uses specialized equipment. Mr. Simkins stated the equipment is specialized and costly.

SEN. BARRY "SPOOK" STANG asked SEN. HALLIGAN if the credit will be expanded on all equipment. SEN. HALLIGAN stated the Department of Revenue will present an amendment. He said the DOR has adopted guidelines for recycling equipment. Neil Peterson, DOR, commented when the recycling credit was adopted rules were initially adopted and currently another set of rules are being processed. He submitted EXHIBIT 1.

SEN. STANG questioned Mr. Ritter in regard to putting a contingency voidance provision into this bill. Mr. Ritter said, "No". He said there are opportunities for jobs and there is a need to keep those jobs in Montana.

• CHAIRMAN DEVLIN asked Mr. Ritter if he sees an increase in people going into the recycling business because of this credit. Mr. Ritter said "Yes". CHAIRMAN DEVLIN asked Mr. Ritter how much contaminated soil is being shipped out of state presently. Mr. Ritter commented perhaps Mr. Simkins could answer the question. Mr. Simkins stated he would try to get some information for the committee in regard to the question. SEN. ECK commented the Environmental Quality Council did a study on hazardous materials.

SEN. MACK COLE questioned SEN. HALLIGAN in regard to the fiscal note not being signed. SEN. HALLIGAN stated he didn't agree with the cost of \$375,000 as being accurate because he believes it will be a wash.

SEN. COLE asked Steve Bender to respond to the fiscal note. Mr. Bender explained the proponents of the bill asked the department to review whether the sunset of the recycle credit was assumed in the revenue estimates. He stated this is an expansion of the credit to include reclamation of soils.

Closing by Sponsor:

SEN. HALLIGAN acknowledged the original purpose of the credit was designed for private sector recycling, not government recycling. He commented the State of Montana doesn't have a place for dumping hazardous waste and Montana doesn't want one, it wants to clean up its own. SEN. HALLIGAN said the incentive is to look at the technological aspects and hire higher paid opportunity jobs. He stated the contingent voidance provision needs to be discussed.

HEARING ON SB 336

Opening Statement by Sponsor:

SEN. TOM BECK, SD 28, Deer Lodge, declared SB 336 is a lease and use fee on state trust lands by statute rather than by rule of the Board of Land Commissioners. He highlighted the mechanics of the bill.

Proponents' Testimony:

Jim Peterson, Montana Stockgrowers Association, presented written testimony. EXHIBIT 2.

Stephen A. Roth, Director, Montana Stockgrowers Association, submitted written testimony. EXHIBIT 3.

Lynn Cornwell, Montana Stockgrowers Association, presented written testimony. EXHIBIT 4.

John Swanz, Montana Stockgrowers Association, submitted written testimony. EXHIBIT 5.

MONTANA SENATE
1995 LEGISLATURE
TAXATION COMMITTEE

ROLL CALL

DATE _____

March 1, 1995

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AMENDMENTS TO SENATE BILL 358
INTRODUCED BILL

SENATE TAXATION
DATE March 1, 1995
EXHIBIT NO. 1
BILL NO. SB 358

PREPARED BY THE DEPARTMENT OF REVENUE
FEBRUARY 21, 1995

EXPLANATION

Amendment 1 conforms the title to amendment 2. Amendment 2 provides for an applicability date. This bill makes permanent the recycling credit and also provides for a new credit for depreciable property used for the treatment of hazardous wastes in soils. The proposed legislation does not contain an effective date therefore the bill will be effective October 1, 1995. If this bill is to be applied from October 1, 1995 forward the depreciable property used in hazardous waste cleanup would have to be prorated to the number of months in service. If this is the case, this new credit will be extremely difficult for the Montana Department of Revenue to administer. This amendment does not change the effective date, but provides for an applicability date to the next tax year thus making this new credit less complicated to administer.

1. Title, line 7
After: MCA;
Insert: "PROVIDING FOR AN APPLICABILITY DATE;"
2. Page 3
Following: line 15
Insert: "NEW SECTION. Section 4 Applicability. [This Act] applies to tax years beginning after December 31, 1995."

DATE March 1, 1995SENATE COMMITTEE ON TaxationBILLS BEING HEARD TODAY: SB 336 Senator Beck
SB 358 Senator Halligan

< ■ >

PLEASE PRINT

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Check One

Name	Representing	Bill No.	Support	Oppose
Carl Schweitzer	Mont Cont Assn	SB 358	✓	
Russ Ritter	Envirocon	358	✓	
LARRY SIMMONS	ENVIROCON	358	✓	
Steve Roth	Mont. Stockgrowers Ass	336	✓	
John Swartz	Mont Stockgrowers Ass	336	✓	
John Swartz	MSGA	336	✓	
Dennis Burr	MONTAX	358	✓	
CAUDAL Torgerson	Mont. Cattlemen's Ass	336	✓	
Rep. Doug Wagner	HD 83	336	✓/Amend	
Tony Schaefer	State Land Coal.	336		
	Stirling Sporks	336		
	AZC Sporks	336		X
MONTIE FAYRS	FAYRS RANCH	336	✓	
LYNN CORNWELL	CORNWELL RANCH	336	✓	
	MSGA			

VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY

Discussion: SEN. DELWYN GAGE asked if this bill passes will the amendments put into this bill have to be put into SB 412. Mr. Martin stated, "Yes".

Vote: MOTION PASSED UNANIMOUSLY.

EXECUTIVE ACTION ON SB 358

Motion: SEN. HARP MOVED AMENDMENTS PRESENTED BY CHAIRMAN DEVLIN (601117SC.SRF).

Discussion: Mr. Martin explained the amendments.

Motion/Vote: MOTION CARRIED ON THE AMENDMENTS UNANIMOUSLY.

Vote: SEN. MIKE FOSTER MOVED SB 358 DO PASS AS AMENDED.

EXECUTIVE ACTION ON SB 412

Motion: SEN. LORENTS GROSFIELD MOVED AMENDMENTS TO SB 412 (prepared by SEN. GROSFIELD, Mr. Martin and Mr. Hoffman).

Discussion: Mr. Martin explained the amendments.

SEN. HARP asked SEN. GROSFIELD if the proponents are in agreement with the amendments. SEN. GROSFIELD stated this is just a clean-up amendment.

{Tape: 2; Side: A; Comments: Insert second tape.}

Mr. Martin commented SB 45 is in conflict with SB 412. He stated SB 45 amends a couple sections of law, one of which, is already repealed.

CHAIRMAN DEVLIN asked Mr. Hoffman where SB 45 is in the process. Mr. Hoffman stated it has been signed by the Governor.

Mr. Martin said a coordination instruction can be done if both bills are passed and approved. He said he would repeal 15, 16, and 102 if both bills are passed and approved, and insert the following language, "the amendment to 15, 16, and 102 in SB 45 is void".

Vote: MOTION CARRIED UNANIMOUSLY.

Motion/Vote: SEN. HARP MOVED SB 412 DO PASS AS AMENDED.

Discussion: SEN. GAGE voiced concern with Page 7, Line 25 in regard to pre-1985 old production wells. He stated the royalty owner's proposal is 16% in this bill. He said currently it is 18.2%. SEN. GAGE said he doesn't know anyone in the State of Montana that is getting that kind of tax break this session. He

MONTANA SENATE
1995 LEGISLATURE
TAXATION COMMITTEE

ROLL CALL

DATE _____

March 15, 1995

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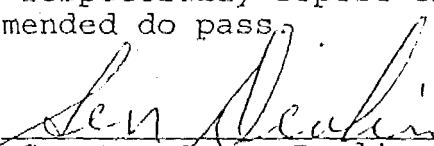
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SENATE STANDING COMMITTEE REPORT

Page 1 of 3
March 15, 1995

MR. PRESIDENT:

We, your committee on Taxation having had under consideration SB 358 (first reading copy -- white), respectfully report that SB 358 be amended as follows and as so amended do pass.

Signed: 
Senator Gerry Devlin, Chair

That such amendments read:

1. Title, line 5.

Strike: "DELETING"

Insert: "EXTENDING"

Following: "THAT"

Insert: "CERTAIN"

2. Title, line 7.

Following: "15-32-601"

Insert: ", 15-32-602,"

Following: "MCA"

Insert: ", AND SECTION 9, CHAPTER 712, LAWS OF 1991"

3. Title, lines 7 and 8.

Strike: "REPEALING" on line 7 through "1991" on line 8

Insert: "PROVIDING AN APPLICABILITY DATE"

4. Page 1, line 13.

Following: "~~Temporary~~"

Insert: "Temporary"

5. Page 2, line 2.

Following: "~~1991-)~~"

Insert: "(Terminates December 31, ~~1995~~ 1997--sec. 9, Ch. 712, L. 1991.)"

6. Page 2, line 4.

Following: line 3

Insert: "Section 2. Section 15-32-602, MCA, is amended to read:

"15-32-602. (Temporary) Amount and duration of credit -- how claimed. (1) An individual, corporation, partnership, or small business corporation, as defined in 15-31-201, may receive a credit against taxes imposed by Title 15, chapter 30 or 31, for investments in depreciable property to collect or process reclaimable material or to manufacture a product from reclaimed material, if the taxpayer qualifies under 15-32-603.

(2) Subject to 15-32-603~~(2)~~(3) and subsection (4) of this section, a taxpayer qualifying for a credit under 15-32-603 is

 Amd. Coord.

 Sec. of Senate

601117SC.SRF

entitled to claim a credit ~~in an amount equal to 25% of, as~~ provided in subsection (3), for the cost of the property purchased to collect or process reclaimable material or to manufacture a product from reclaimed material only in the year in which the property was purchased. If qualifying property was purchased prior to January 1, 1992, but on or after January 1, 1990, a taxpayer is entitled to a credit for tax year 1992.

(3) The amount of the credit that may be claimed under this section for investments in depreciable property is determined according to the following schedule:

(a) 25% of the cost of the property on the first \$250,000 invested;

(b) 15% of the cost of the property on the next \$250,000 invested; and

(c) 5% of the cost of the property on the next \$500,000 invested.

(4) A credit may not be claimed for investments in depreciable property in excess of \$1 million. (Terminates December 31, 1995 1997--sec. 9, Ch. 712, L. 1991.)"

Renumber: subsequent sections

7. Page 2, line 5.

Following: "Temporary"

Insert: "Temporary"

8. Page 3, line 3.

Following: line 2

Insert: "(2) A credit for depreciable property that treats soil contaminated by hazardous wastes applies only to property that treats contaminated soil and not to auxiliary property."

Renumber: subsequent subsections

9. Page 3, line 4.

Strike: "was"

Insert: "is"

Strike: "on or after January 1, 1990"

Following: "1996"

Insert: "before January 1, 1998"

10. Page 3, line 15.

Following: "1991.)"

Insert: "(Terminates December 31, 1995 1997--sec. 9, Ch. 712, L. 1991.)"

11. Page 3, line 17.

Strike: section 3 in its entirety

Insert: "Section 4. Section 9, Chapter 712, Laws of 1991, is

amended to read:

"Section 9. Termination. [This act] terminates December 31,
~~1995~~ 1997."

NEW SECTION. Section 5. Applicability. [This act] applies
to tax years beginning and to depreciable property purchased
after December 31, 1995."

-END-

{Tape: 1; Side: A.}

HEARING ON SB 358

Opening Statement by Sponsor:

SEN. MIKE HALLIGAN, Senate District 34, Missoula, said the Legislature had passed a bill to provide a "private sector" approach to recycling which provided a tax credit to allow individuals to purchase equipment necessary for recycling. SB 358 would expand the existing statute to include a tax credit for equipment used for the treatment of contaminated soils. The bill would also extend the sunset on the bill for two years. SEN. HALLIGAN said the bill had been amended in the Senate to allow for a phase-in for the tax credit to minimize the fiscal note on the bill.

Proponents' Testimony:

Carl Schweitzer, Montana Contractors Association, said he had been involved in drafting the bill which would extend the sunset for the tax credit for an additional two years and adds the tax credit for equipment that is used for treatment of contaminated soils. He explained how the tax credit would be phased in. He also pointed out that the bill should be amended to clarify that the phase-in formula would apply to each piece of equipment purchased per year.

Jerry Vollmer, Mineral Specialties, Billings, said his company recycles the by-products generated by power plants. There are markets for the material and the Department of Natural Resources (DNRC) and the Department of Revenue (DOR) recognize that they have taken pollution and changed its form and location. It used to be in the air and, with the processes now available, it has been turned into a solid waste issue on the ground. His company has found that bi-ash is useful as a construction material replacing Portland cement and concrete. They have been able to take advantage of the existing law by purchasing equipment to store the product in. The price of the equipment is between \$15,000 and \$20,000. They hope the sunset will be removed from the existing law and retained on the equipment that is being added to the law. He said a two-year sunset was reasonable.

Russ Ritter, Envirocon, Missoula, stood in support of the legislation. He said he had been told by the DOR that it would be wise for Envirocon to come to the Legislature and request a special provision in the law to cover the equipment used in removing or sterilizing contaminated soil because the present statute would not apply. He described some of the activities Envirocon had been involved in. This legislation, if passed, would be beneficial, not only to his company but also to the State of Montana in addressing some of its environmental problems from the past.

• **Mike Stevenson, President, Envirocon, Missoula,** appeared as a proponent of the bill based on the fact that it would be an inducement for investment in equipment which would result in Montana taking care of its own problems and creating jobs. Montana could demonstrate to the rest of the country that the state has a willingness to work out its own problems. He asked for the Committee's serious consideration of the bill.

Mick Robinson, DOR, said the Department had determined that the equipment described in the bill was not included under the current statute and the bill presents an appropriate extension of the statute. He agreed that the amendments put on in the senate were also appropriate.

Opponents' Testimony:

None.

Questions From Committee Members and Responses:

REP. SWANSON requested a description of the equipment and asked if the equipment represented a large capital investment. **Mr. Stevenson** said it could cost as much as a million dollars because it is specialized and high tech. He explained that the equipment stabilizes the soil and renders it non-hazardous by means of heat or special reagents. It involves sophisticated mixing apparatus which monitors the water content. The soil is "washed," removing and recovering heavy metals and minimizing the amount of waste to be deposited. The bulk of the material is clean soil when the process is completed. Many high technology processes may be used depending on the situation. The hazardous waste remaining, which is tremendously reduced in volume, is shipped out of state for deposit or incineration.

{Tape: 1; Side: B.}

REP. ELLIOTT asked if the company could depreciate the equipment in addition to receiving a tax credit. **Mr. Chenoweth, DOR,** said they could.

REP. HARPER asked if anything, such as a backhoe, used to collect the contaminated soil would be eligible for the tax credit. **Mr. Chenoweth** said the bill carefully defines the specialized equipment that would qualify. The backhoe would not qualify.

REP. ARNOTT asked **Mr. Vollmer** how much he had received in tax credits since the original legislation was passed. **Mr. Vollmer** said that on a few occasions he had been able to get tax credits for a silo and equipment to transport the ash. This equipment had a value of approximately \$30,000 and the tax credit has been helpful. He said he would like to see the sunset removed from the current legislation. However, he said he would agree that the two-year sunset for the new equipment being added was a good idea.

REP. BOHLINGER asked if the company would have made the investments which have created jobs and cleaned up the environment if it had not received the tax credit. Mr. Stevenson said it would be on a job specific basis. If the options were to "dig and haul" they would probably do that before they made a large investment in other equipment. Mr. Vollmer said that to say they would not make the investment without the credit was unrealistic but the tax credit states clearly that Montana intends to do something about environmental problems without "regulating people to death." For a small businessman, it could very well be the deciding factor.

REP. NELSON inquired about the useful life of the equipment. Mr. Stevenson said technology is advancing on a yearly basis and a piece of equipment would have little value following the ten-year depreciation period. Because the equipment is specialized and directed at the environmental industry, it would also have little salvage value.

REP. NELSON asked if government regulations which change rapidly contribute to the early obsolescence of equipment. Mr. Stevenson said there is encouragement from the Environmental Protection Agency and the Department of Energy to find new technology to take care of problems rather than using currently available technology so there is a real incentive in the private sector to come up with new technology.

REP. SOMERVILLE asked if companies from outside Montana were competing for the business. Mr. Stevenson said they were and they already own the necessary equipment.

Closing by Sponsor:

SEN. HALLIGAN said that when he originally sponsored the legislation, it was to make Montana the leader in the recycling technology area. The bill will encourage meaningful, long-term, high-paying jobs and fit well within the Montana University and Vo-Tech system. It encourages a partnership with the private sector. Cleaning Montana's environment was the intent. He said monitoring was an important tool and he would prefer to see the sunset reconsidered in five years rather than in two. He encouraged the Committee to pass the bill.

HEARING ON 336

Opening Statement by Sponsor:

SEN. TOM BECK, Senate District 28, Deer Lodge, said the original intent of the bill was to return the authority for setting grazing fees to the Legislature. To his surprise, he got it through the Committee and through the Senate. In his opinion, the State Land Board has been neglecting its duties. He said he had prepared an amendment which would leave the issue in the

HOUSE OF REPRESENTATIVES

Taxation

ROLL CALL

DATE March 30, 1995

NAME	PRESENT	ABSENT	EXCUSED
Rep. Chase Hibbard, Chairman	✓		
Rep. Marian Hanson, Vice Chairman, Majority	✓		
Rep. Bob Ream, Vice Chairman, Minority	✓		
Rep. Peggy Arnott	✓		
Rep. John Bohlinger	✓		
Rep. Jim Elliott	✓		
Rep. Daniel Fuchs	✓		
Rep. Hal Harper	✓		
Rep. Rick Jore			✓
Rep. Judy Rice Murdock	✓		
Rep. Tom Nelson	✓		
Rep. Scott Orr	✓		
Rep. Bob Raney	✓		
Rep. Sam Rose	✓		
Rep. Bill Ryan	✓		
Rep. Roger Somerville	✓		
Rep. Robert Story	✓		
Rep. Emily Swanson	✓		
Rep. Jack Wells	✓		
Rep. Ken Wennemar	✓		

REP. ARNOTT said she thought passing increased budgets was also fiscally irresponsible because they continue to expand state and local governments. This bill may add some benefits to business and produce additional revenue. She stated that she would support the bill.

REP. STORY commented that over the life of the bill, it would take 5% of the total tax base of the State of Montana.

Vote:

On a roll call vote, SB 417 as amended was concurred in, 14 - 6.

EXECUTIVE ACTION ON SB 358

Motion:

REP. HARPER MOVED THAT SB 358 BE CONCURRED IN.

Discussion:

Mr. Heiman explained that the Department of Revenue had requested amendments to clarify that the tax credit would apply to each piece of equipment and not the aggregate amount of machinery. EXHIBIT 12.

Motion/Vote:

REP. HARPER MOVED THE AMENDMENT. On a voice vote, the motion passed unanimously.

Discussion:

REP. ARNOTT said the bill, as drafted, would have eliminated the sunset on the existing statute. The amendments would extend that sunset for six years and places a two-year sunset on the new equipment being added in the bill. She said Sen. Halligan and the Washington Corporation and the small contractors have all agreed to the amendments. EXHIBIT 13.

Motion/Vote:

REP. ARNOTT MOVED THE AMENDMENTS. On a voice vote, the motion passed unanimously.

Motion:

REP. HANSON MOVED THAT SB 358 AS AMENDED BE CONCURRED IN.

Discussion:

REP. ELLIOTT said he would propose an amendment to the bill which would limit the maximum amount of the tax credit to \$50,000. As

the bill was written, a corporation could claim \$125,000 in tax credits on a \$1 million piece of equipment as well as depreciating the equipment out. EXHIBIT 14.

REP. REAM asked if the amendment would reduce the amount of the credit given for equipment covered under current legislation.

REP. ELLIOTT said it would, but he didn't think many of the small operators would be purchasing \$1 million equipment.

REP. ELLIOTT also suggested amending the amendment by striking lines 4, 5 and 6. Mr. Heiman clarified that the amendment would provide that the tax credit available would be 10% of the first \$500,000.

REP. STORY asked what would happen to someone who was expecting a 25% credit and finds the credit is only 10%. Mr. Heiman explained that the bill doesn't have a "carry forward" feature. It would only apply in the year the property was purchased and would not affect prior purchases.

CHAIRMAN HIBBARD said that, by passing this amendment, the amount the small recyclers could claim as a credit would be affected. The intent of the amendment was to disallow such a large credit for the "big ticket" items.

REP. STORY suggested leaving sub-sections (a) and (b) in the bill, leaving everything under \$250,000 at 25% and everything over that at 10%.

REP. RANEY said the solution would be to limit the amount of dollars to be claimed as a credit on one piece of equipment.

Motion:

REP. ELLIOTT WITHDREW HIS PREVIOUS AMENDMENT AND MOVED THAT THE AMOUNT OF CREDIT THAT MIGHT BE CLAIMED WOULD BE 25% OF THE FIRST \$250,000.

Discussion:

REP. ELLIOTT said the amendment would satisfy the people who had concerns for the small recyclers and still cap the amount of credit for the large contractors.

Vote:

On a roll call vote, the motion failed, 16 - 4.

Motion/Vote:

REP. ARNOTT MOVED THAT SB 358 AS AMENDED BE CONCURRED IN. On a voice vote, the motion passed, 16 - 4.

{Tape: 6; Side: A.}

Motion:

REP. ELLIOTT MOVED TO ADD THE CONTINGENT VOIDNESS CLAUSE TO THE BILL.

Discussion:

Discussion followed relative to the necessity to add the contingent voidness clause. REP. REAM said there was a revised fiscal note stating the bill would cost \$200,000.

Mike Walsh, Governor's Budget Office, said the original fiscal note had revenue estimates that did not include the sunset. The fiscal note was revised after third reading in the Senate and the impact was estimated to be \$200,000.

CHAIRMAN HIBBARD advised that the new fiscal note put the cost of the bill below the threshold established by the Committee.

REP. ELLIOTT WITHDREW HIS MOTION.

EXECUTIVE ACTION ON SB 338

Motion:

REP. ROSE MOVED THAT SB 338 BE CONCURRED IN.

Discussion:

REP. ROSE said that Rep. Feland had requested amendments to the bill which would reduce the two-year tax holiday to 18 months. EXHIBIT 15. Charts showing the fiscal impact with the 18-month exemption were distributed. EXHIBIT 16.

Motion:

REP. ROSE MOVED THE FELAND AMENDMENTS.

Discussion:

CHAIRMAN HIBBARD said that the cost of SB 338 would be reduced by the amendments and, with changes in HB 90, the stripper well bill, the cost of the two bills, as amended, would be the same as the cost of the stripper bill would have been.

REP. REAM asked if SB 338 would add three classes back into SB 412, the oil and gas tax simplification bill. Mr. Hoffman, DOR, said there would be the same number of charts whether it was 18 months or 24 months so there would be no additional effect on SB 412 in terms of the number of classes.

HOUSE OF REPRESENTATIVES

Taxation

ROLL CALL

DATE April 6, 1995

NAME	PRESENT	ABSENT	EXCUSED
Rep. Chase Hibbard, Chairman	✓		
Rep. Marian Hanson, Vice Chairman, Majority	✓		
Rep. Bob Ream, Vice Chairman, Minority	✓		
Rep. Peggy Arnott	✓		
Rep. John Bohlinger	✓		
Rep. Jim Elliott	✓		
Rep. Daniel Fuchs	✓		
Rep. Hal Harper	✓		
Rep. Rick Jore	✓		
Rep. Judy Rice Murdock	✓		
Rep. Tom Nelson	✓		
Rep. Scott Orr	✓		
Rep. Bob Raney	✓		
Rep. Sam Rose	✓		
Rep. Bill Ryan	✓		
Rep. Roger Somerville	✓		
Rep. Robert Story	✓		
Rep. Emily Swanson	✓		
Rep. Jack Wells	✓		
Rep. Ken Wennemar	✓		



HOUSE STANDING COMMITTEE REPORT

April 6, 1995

Page 1 of 2

Mr. Speaker: We, the committee on Taxation report that Senate Bill 358 (third reading copy -- blue) be concurred in as amended.

Signed: _____

A handwritten signature in cursive script, appearing to read "Chase Hibbard", is written over a horizontal line.

Chase Hibbard, Chair

And, that such amendments read:

Carried by: Rep. Ream

1. Title, line 10.
Following: "DATE"
Insert: "AND A TERMINATION DATE"
2. Page 1, line 13.
Strike: "2"
Insert: "6"
3. Page 2, lines 16 and 17.
Page 4, lines 24 and 25.
Strike: "TERMINATES" through "1991.)"
4. Page 2, line 27.
Following: "cost of"
Strike: "the"
Insert: "each item of"
5. Page 3, line 7.
Strike: "(Terminates" through "1991.)"
6. Page 4, line 29.
Strike: "1997"
Insert: "2001"

Committee Vote:
Yes 16, No 4.

791540SC.Hdh

7. Page 4.

Following: line 30

Insert: "NEW SECTION. Section 5. Termination -- exception. (1)
[Sections 1 through 3] terminate December 31, 1997.

(2) Notwithstanding subsection (1), 15-32-603(3), as numbered by [this act], which reads: "A credit under this section may be claimed by a taxpayer for a business only if the qualifying property is purchased before January 1, 1998.", is deleted in its entirety on December 31, 1997."

Renumber: subsequent section

-END-

HOUSE OF REPRESENTATIVES

ROLL CALL VOTE

DATE 4/6/95 BILL NO. SB358 NUMBER

MOTION: Elliott Amend

NAME	YES	NO
Vice Chairman Marian Hanson		✓
Vice Chairman Bob Ream		✓
Rep. Peggy Arnott		✓
Rep. John Bohlinger		✓
Rep. Jim Elliott	✓	
Rep. Daniel Fuchs		✓
Rep. Hal Harper		✓
Rep. Rick Jore		✓
Rep. Judy Rice Murdock		✓
Rep. Tom Nelson		✓
Rep. Scott Orr		✓
Rep. Bob Raney		✓
Rep. Sam Rose	✓	
Rep. Bill Ryan		✓
Rep. Roger Somerville		✓
Rep. Robert Story		✓
Rep. Emily Swanson	✓	
Rep. Jack Wells		✓
Rep. Ken Wennemar	✓	
Chairman Chase Hibbard		✓

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EXHIBIT 12
DATE 4/6/95
~~HB~~ SB 358

Amendments to Senate Bill No. 358
Third Reading Copy

Requested by DOR
For the Committee on Taxation

Prepared by Lee Heiman
March 30, 1995

1. Page 2, line 27.
Following: "cost of"
Strike: "the"
Insert: "each item of"

EXHIBIT 13
DATE 4/6/95
~~FB~~ SB 358

Amendments to Senate Bill No. 358
Third Reading Copy

Requested by Rep. Arnott
For the Committee on Taxation

Prepared by Lee Heiman
April 3, 1995

Extends termination of existing law for 6 years and provides that the new provisions relating to soil treatment terminate in 2 years.

1. Title, line 10.

Following: "DATE"

Insert: "AND A TERMINATION DATE"

2. Page 1, line 13.

Strike: "2"

Insert: "6"

3. Page 2, lines 16 and 17.

Page 4, lines 24 and 25.

Strike: "(TERMINATES" through "1991.)"

4. Page 3, line 7.

Strike: "(Terminates" through "1991.)"

5. Page 4, line 29.

Strike: "1997"

Insert: "2001"

6. Page 4.

Following: line 30

Insert: "NEW SECTION. Section 5. Termination -- exception. (1)

[Sections 1 through 3] terminate December 31, 1997.

(2) Notwithstanding subsection (1), 15-32-603(3), as numbered by [this act], which reads: "A credit under this section may be claimed by a taxpayer for a business only if the qualifying property is purchased before January 1, 1998.", is deleted in its entirety on December 31, 1997."

Renumber: subsequent section

EXHIBIT 14
DATE 4/6/95
SB 358

Amendments to Senate Bill No. 358
Third Reading Copy

Requested by Rep. Elliott
For the Committee on Taxation

Prepared by Lee Heiman
April 3, 1995

1. Page 3, line 3.

Strike: "25%"

Insert: "10%"

Strike: "\$250,000"

Insert: "\$500,000"

2. Page 3, line 4.

Strike: "(b)" through "i"

Renumber: subsequent subsection